

An overview of The Defense Logistics

Agency



**DoD's ONLY Logistics
Combat Support
Agency . . . Supporting
the Military Services &
Combatant
Commanders for Over
40 Years**



The DLA Enterprise

FY02 Sales/Services: \$21.5B
FY03 Sales/Services: \$25B
FY04 Sales/Services: \$28B
FY05 Sales/Services: \$31.8B
FY06 Sales/Services: \$35.5B
FY07 Projected: \$34.6B

\$1.5B

- **Other: \$1.1B**
- **~95% of Services' repair parts**

Foreign Military Sales

- **Sales: \$1.02B**
- **Shipments: 520K**
- **Supporting 126 Nations**

Scope of Business

- **54,000 Requisitions/Day**
- **8,200 Contracts/Day**
- **#58 Fortune 500 - Above Sprint Nextel**
- **#3 in Top 50 Distribution Warehouses**
- **26 Distribution Depots**
- **5.2 Million Items - eight supply chains**
- **25M Annual Receipts and Issues**
- **1411 Weapon Systems Supported**
- **134M Barrels Fuel Sold**
- **\$14.6B Annual Reutilizations/Disposals**

People

- **20,805 Civilians**
- **519 Active Duty Military**
- **754 Reserve Military**
- **Located in 48 States/28 Countries**

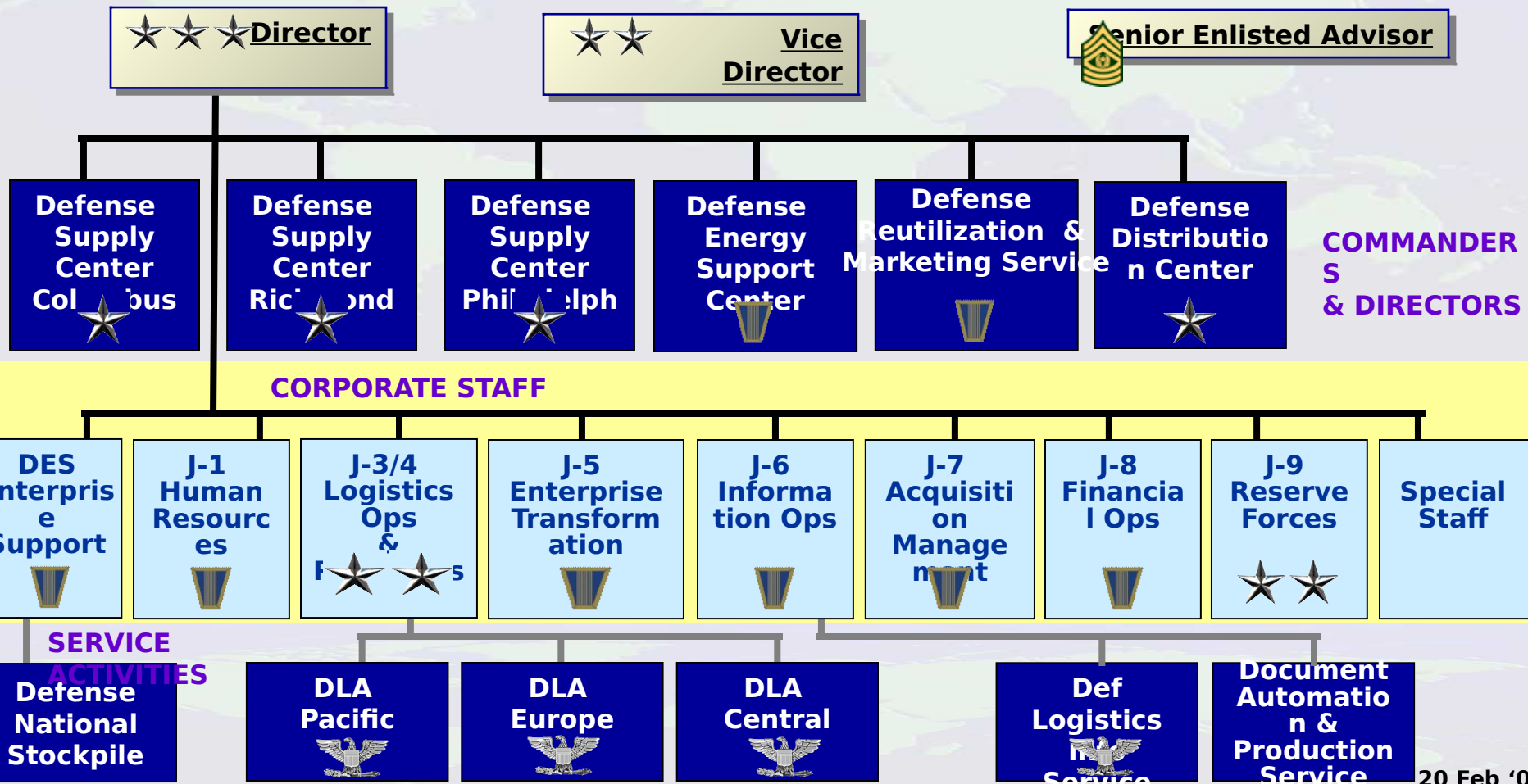


Agency Priorities

- **Warfighter Support**
- **Stewardship to the Nation**
- **Growth and Development of our People**
- **Leadership**



Defense Logistics Agency





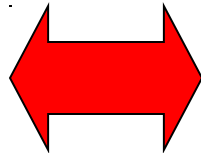
Business Units

Defense Supply Center

Columbus

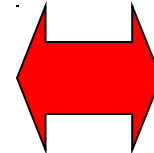
Land/Maritime Supply Chains

**Custome
rs**
**Major
Commands**
**Maintenan
ce
Activities**
**Internation
al
Customers**



LAND
- Wheeled
Vehicles
- Tracked
Vehicles
- Diesel Engines
- Transmissions
- Vehicle
Chassis
- Batteries
- Nuts and Bolts

MARITIME
- Turbines
- Brackets
- Valves & Pumps
- Engine Fuel
Systems
- Compressors
- Fiber Optics
- Gyro
Components
- Bearings
- Gaskets, O-rings,
Seals



**Supplier
s**
OEM
**Competiti
ve
Sources**

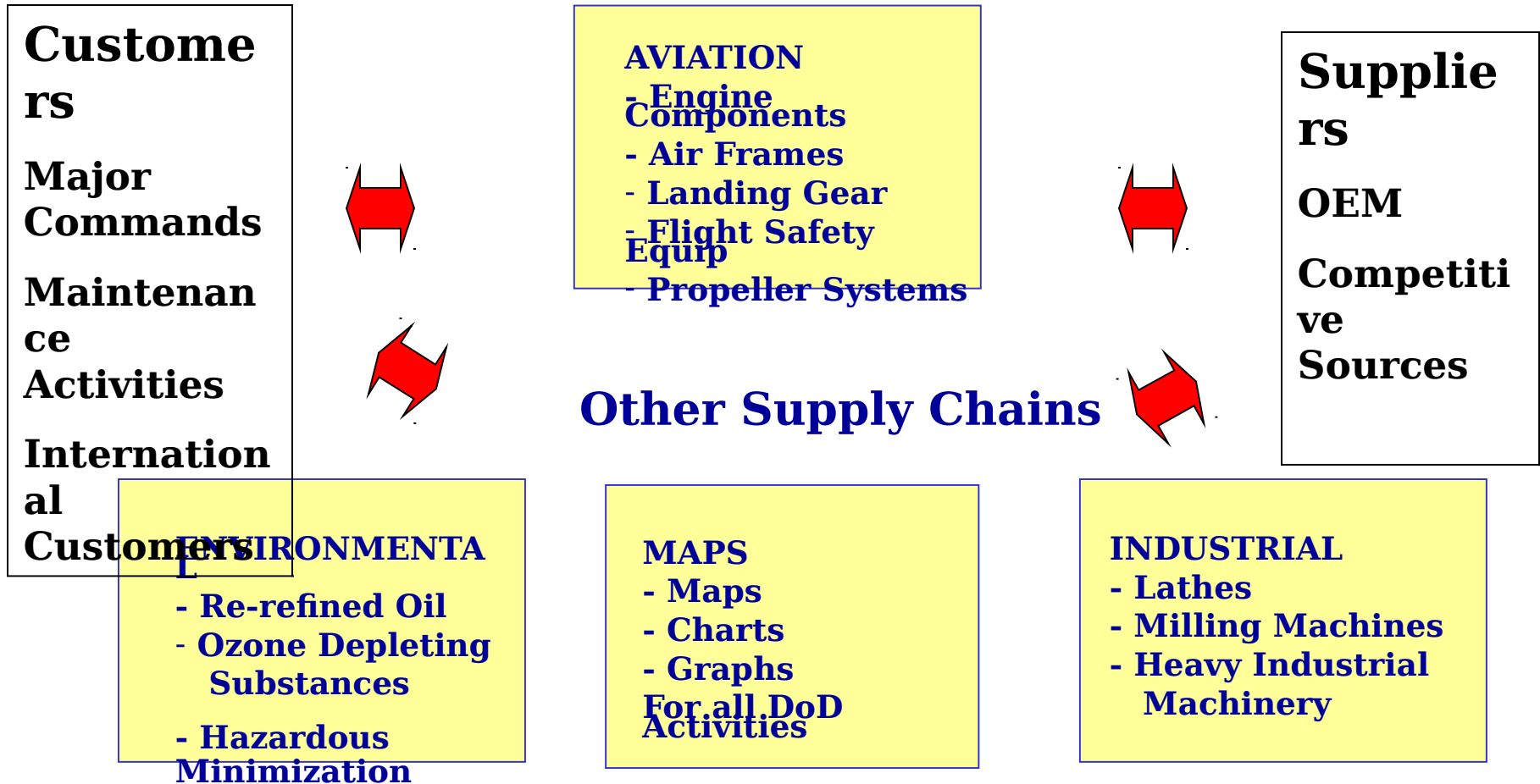


Business Units

Defense Supply Center

Richmond

Aviation Supply Chain





Business Units

Defense Supply Center

Philadelphia

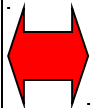
Troop Support Lead Center

Customers

Major Commands

Maintenance Activities

International Customers



CLOTHING & TEXTILES

- Combat uniforms/tents
- Body armor/field equipment
- Individual chem/bio protective suit

MEDICAL

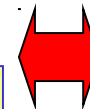
- Diagnostic Imaging Equip
- MRI Equipment
- Surgical & Dental Supplies
- Pharmaceuticals
- Optical Products
- Laboratory Items

SUBSISTENCE

- Operational Rations (incl. Meal, Ready-to-Eat and Unitized Group Rations)
- Food Service & Field

CONSTRUCTION & EQUIPMENT

- Facilities Maintenance
- Equipment (HEPP, Diving, Safety & Rescue, MHE)
- Fire & Emergency Services
- Wood Products
- Metals
- Barrier Material



Suppliers

OEM

Competitive Sources



Business Units

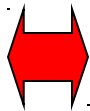
Defense Energy Support Center

Energy Lead Center

Customers

Major Commands

Base, Camps, Stations

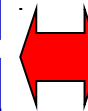


BULK FUELS

- Jet Fuel
- Ship Propulsion
- Diesel, Gasoline
- Missile Fuel

INSTALLATIONS

- Natural Gas
- Coal
- Electricity
- Utility Privatization



Suppliers

Major Oil Companies

Sub-Contracts

FACILITIES

- Bulk Fuel Storage
- Environmental
- Optimization
- Maintenance, Repair
- International Agreements

DIRECT DELIVERY

- Vehicle Fuel
- Heating Oil
- Commercial Airport Fuel



Business Units

Defense Distribution Center

Distribution Lead Center

WAREHOUSING

- 55M Sq Ft Covered
- 23M Sq Ft Open
- **Unique Storage Capabilities**
 - Hazardous
 - Freeze and Chill
 - Ozone Depletion
- **Stock Positioning Mgt**
 - Forward Stock Programs
 - Targeted Mission Support

TAILORED LOGISTICS SUPPORT

- Total Package Fielding
- Kitting
- **Deployable Medical Systems**
- Rigging
- **Combat Configured Loads**
- In-Transit Visibility
- Time Definite Delivery
- Theater Consolidation and Shipping Points

DISTRIBUTION

- 26 Depots (7 OCONUS)
- 3.7M NSNs
- \$94.1B Inventory
- 9 Map Support Offices
- **Container Consolidation**
- 22.7 M Receipts/Issues (FY06)
- **Deployable Distribution Center Capability**

TRANSPORTATION MANAGEMENT

- 8M Shipments Annually
- 1.4B Pounds Shipped Annually
- 82 CONUS Dedicated Truck Lanes
- 34 OCONUS Dedicated Truck Lanes
- 1,063 Vendors with DSS-VM

Service Providers

- SDDC
- AMC
- MSC
- A-76
- Commercial Providers
- Commercial Transportation Providers

Customers

Military Services

Inventory Control Points



Business Units

Defense Reutilization and Marketing Service

Reuse, Recycling and Disposal Lead Center

<u>Organizational Structure</u> 101 Offices Worldwide (19 Countries/37 States) 1483 Authorized Personnel (Includes Local Nationals) 11 Military 200 Reserve DRT Members 57 EE Positions Qualified \$296.7M Operating Costs	<u>At-A-Glance (FY06)</u> 49,392 Turn-In Customers Served \$ 24.7B Usable Turned-In (Acq Val) \$ 2.3B R/T/D (Acq Val) \$318.4M Total Revenue
<u>Services</u> Reutilization Transfer Donation Demilitarization Environmental Disposal/Reuse Humanitarian Assistance Foreign Military Sales/Grant-in-Aid Disaster Relief Exchange/Sale Precious Metal Recovery	<u>Contingency Operations</u> Operation Enduring Freedom Dec 01 - Present 7 Mil/Civ Deployed Operation Iraqi Freedom Sept 02 - Present 47 Mil/Civ Deployed

Customers

Military Services

DLA Inventory Control Points

Federal / Public Agencies

Service Providers

Commercial Providers

Government Liquidity

R2010/ISP



Service Activities

Defense National Stockpile Center

20 Sites
144 Personnel
\$5.9 B Sales Since FY 93
\$1.5 B Inventory

Manages 42 Internationally Traded Commodities

Defense Automatic Addressing Systems Center (DAASC)

2 Locations
180 Gov't & Contract Personnel
\$33M Budget

Services:
Editing/Routing of DoD Logistics Transactions
Enforcement of DoD Business Rules
Network Interoperability

Document Automation & Production Service

175 Locations in 8 Countries
1000 Gov't & Contract Personnel
\$413M Annual Sales (FY06 Plan)

Services:

Document Production
Document Imaging/Conversion and Electronic Document Management
Equipment Management Solutions

Defense Logistics Information Service

One Site
1,389 Gov't (80%) & Contractor (20%) Personnel
\$164 M Budget

Services:

DOD/Federal/NATO/International Cataloging
J6B IT Support (Technology, WEB, Software) for DLIS/DRMS

Key Initiatives/Programs: FLIS, MEDALS, FEDLOG, DOD EMAIL, DLA Map Catalog, AV, LINK DESX CCR/BPNse HMIRS ERIS FRB



Service Activities

Defense Logistics Agency -

Europe

12 Offices

38 Personnel

- Liaison/planner at EUCOM
- Planners at USAFE, USAREUR and NAVEUR
- Customer reps at 10 sites - Germany, UK, Italy
- Area rep for the Balkans in Kosovo
- On-site, deployable logistics experts

assist

Defense Logistics Agency and Central Liaison Officers at PACOM, USFJ and

service/procuring sites (CONUS, Kuwait, Bahrain, USFK, Qatar) staffed by 10 personnel

• Provide EUCOM components and 3 Contingency support teams (Afghanistan, Iraq, Kuwait) staffed by 60-90

personnel (mission dependent)

• single POC for DLA support

• Single focal point for all DLA activities/contractors in Southwest Asia (e.g., Kuwait distribution depot, Kuwait DRMO yard, Bahrain fuels office, Subsistence Prime Vendors, MRO Prime Vendors)

• Liaison/planner at CENTCOM

• Customer Support Representatives with ARCENT-K/Q, CENTAF (FWD) and

NAVCENT-B

Defense Logistics Agency -

Pacific

9 Sites located in two states and 2 countries

Hawaii, Alaska, Japan, Okinawa, Korea

28 Personnel

AOR Covers 52% of Earth's Surface

Provide Contingency & Deliberate Planning and

on-site Customer Support



Warfighter Engagement

106 DLA personnel permanently assigned to 71 Major Military Service Locations Globally

- DLA In-theater Commands provide Logistics Support to Combatant Commanders...
 - DLA-Central; DLA-Pacific; DLA-Europe
- DLA Liaison Officers and Customer Support Representatives embedded in Service and Combatant Commands Worldwide
- DLA Contingency Support Teams
 - Deploy as Requested by Combatant Commanders
 - Kuwait, Iraq, and Afghanistan, over 150 personnel deployed to OIF/OEF
 - Provide On Site DLA Logistics, Asset Visibility Support, Fuels Management, and Disposal Services.
 - Support the Combatant Commands' In-theater Distribution Centers



Moving Towards Transformation

- Refined Goals and Metrics
- Instituted Robust Performance Reviews
- Focused on Backorder and Cost Reductions
- Streamlined Procurement Processes
- Fully Supported by DoD Leadership



Transformation Key Initiatives

- **Base Closure and Realignment - BRAC**

- DLR procurement and consumable item management to DLA; changes to DLA's distribution infrastructure; tires, compressed gases, packaged petroleum products to Direct Vendor Delivery
- \$5.5B Savings projected over 20 years

- **Business Systems Modernization -
BSM**

- End-to-end Supply Chain Enterprise Resource Planning (ERP), Commercial Off The Shelf Software (COTS)
- Order fulfillment, Supply & Demand Planning, Procurement, Tech Quality, Financial

- **Customer Relationship Management -
CRM**

- A customer focused approach comprised of people, processes, and tools for setting and meeting mutual expectations that optimize value for both the customer



Transformation Key Initiatives

**\$4.8
Billion
Savings
for
Services**

- **Supplier Relationship Management - SRM**
 - Strategic Material Sourcing for 500,000 business drivers
 - Strategic Supplier Alliances with 29 critical suppliers
- **Distribution Planning Management System - DPMS**
 - Distribution planning and transportation optimization
 - In-transit visibility of materiel
- **Global Stock Positioning - GSP**
 - Pre-positioning to optimize readiness at least cost
 - OSD, Joint Staff, Service, TRANSCOM and DLA
- **Executive Agent - EA**
 - DLA-Services partnership synchronize logistics for common materiel: fuel, medical, subsistence and construction
- **Integrated Data Environment - IDE**



Transformation Key Initiatives

- **Business Systems Modernization-Energy - BSM-E**
 - Commercial software - best practices
 - Deploying now - integration w/BSM to follow
- **Reutilization Modernization Program - RMP**
 - Redistribution of excess government property
 - Disposal of hazardous material and waste
 - Leverages capabilities of other transformation initiative
- **Work Force Transformation**
 - Transformation alters every facet of environment
 - Structure, rigor and disciplined program in place
- **Product Data Management - PDM**
 - Transforms Agency's Technical & Quality business processes and capabilities
 - Ensures engineering correctness in the products bought and managed by DLA



Base Realignment and Closure

BRAC 2005

Recommendations will deliver transformational change for the agency

NPV
\$1.9 B
Over 20
years

- All Depot Level Reparable procurement transitions to DLA

- The vast majority of consumable hardware items not managed by the agency today will transition to DLA

NPV
\$2.9 B
Over 20
years

- Two military Service Inventory Control Points close

- Management of repair depot supply operations transitions to DLA

NPV
\$.74 B
Over 20
years

- Two additional Strategic Distribution Platforms (SDP) created from existing Distribution Depots

- One Distribution Depots close

- Remaining Distribution Depots will provide only



Business Systems Modernization (BSM)

- **Enterprise Resource Planning (ERP) to manage the agency's 5.2 million items**
 - Replaces numerous '60s & '70s vintage systems with single, Commercial-Off-the-Shelf (COTS) system
 - Processes re-engineered to best practices
 - Cycle times dramatically reduced
 - Savings in inventory and personnel
 - payback period 2009
 - Improved war fighter support
 - Joint interoperability
 - Better Demand Forecasting - by customer - through collaboration
 - Improved data integrity
 - "Clean Financial Opinion" in accordance with CFO Act
- **Full-scale deployment completes in DEC 06**



**ERP...a critical
Supply Chain
Management
Enabler!**



Customer Relationship Management (CRM)

- **Customer Focus: War Fighter-centric strategies & tools and structured Service, Sales and Marketing processes to better meet these customers' expectations across the DLA Enterprise.**
 - **Service: Deliver on DLA commitments and provide timely and effective issue resolution.**
 - **Sales: Engage War Fighters regarding readiness and business value of DLA solutions.**
 - **Marketing: Reach out to understand War Fighter needs and communicate DLA capabilities.**

**Release 1.0 Implemented April 06...
Full Operational Capability - FY08**



CRM (cont'd)

- **National Account Managers (NAM) for each of the four Services, Department of Homeland Security and Foreign Military Sales**
- **Customer Account Managers (CAM) for customer segments within Services**
- **Customer Support Representatives (CSR)**
 - **Single POC for DLA Logistics at major Service locations globally**
- **Performance-Based Agreements (PBA) with each of the four Services and some Combatant Commanders**
 - **Establish Customer-focused performance metrics**
 - **Set Agenda for logistics initiatives**
 - **Use Partnership Council for continuous interaction**



Supplier Relationship Management (SRM)

- **Strategic Material Sourcing (SMS)**
 - DLA manages 5.2 million items
 - ~500,000 items are the agency's major business drivers
 - Goal: assured availability, cost & quality for business drivers
- **Strategy**
 - Leverage competition
 - Develop long-term contracts
 - Establish prime vendor relationships
 - Establish corporate contracts
 - Buy capability rather than stock for surge requirements
 - Minimize procurement cost drivers

390,000+
Items Now
Managed
Under SMS



SRM (cont'd)

29 SSA's In Place

- **Strategic Supplier Alliances (SSA)**
 - Partnering initiatives with 29 top suppliers that are the sole source for materiel critical to America's defense posture
 - Goal: assured availability, cost & quality for this critical materiel
- **Strategy**
 - Negotiated, signed agreements between DLA and suppliers to collaborate to pursue common objectives
 - Specific, quantifiable objectives - number of items managed under the SSA, Administrative Lead Time, Procurement Lead Time, Quality



Distribution Planning Management System (DPMS)

- **Transforming DLA's global warehousing functions with the ability to collect, assess and act on real time information re: materiel location and status**

- **First and second destination transportation optimization**
- **In Transit Asset Visibility**
 - **in-bound shipments, direct delivery**
- **Standardized shipping documentation and labeling**
- **Web-based with real time access for shippers and customers**

- **Automated Advance Shipping Notices and Proc**



Global Stock Positioning (GSP)

PAST

- ICP-unique approach...no central strategy
- Vendor-centric stock positioning tendency
- Limited Service engagement

PRESENT

- Central strategy and business rules
 - DDC-led Stock Positioning II
- Focus shift to Service/Warfighter
- Services engaged

✓ **Strategic Distribution Platforms (SDP)**
✓ **4 New Forward Depots**

➤ **Sigonella, Kuwait, Guam, Korea**

FUTURE

- Enterprise Strategy: Global positioning in advance of requirement to increase mat'l availability/reduce wait time

- Increasing readiness while reducing cost
- "Facing Fill" Targets built into BSM business rules
- Hub and Spoke methodology
- Service/Warfighter-centric
- Services in partnership

✓ **Tailored stock profiles**
✓ **2 New SDPs**
✓ **DLA Afloat**
✓ **Deployable Depot**



Executive Agency (EA)

- **Designated by Secretary of Defense to serve as focal point for ensuring sustainable, efficient and effective support to the war fighter**
- **Assembles strategic, operational and tactical elements of supply chains to simultaneously engage across boundaries to identify/resolve challenges**
- **DLA currently EA for**
 - Subsistence, bulk petroleum, medical materiel, and Construction & Barrier materiel
- **Expect EA designation this year for**

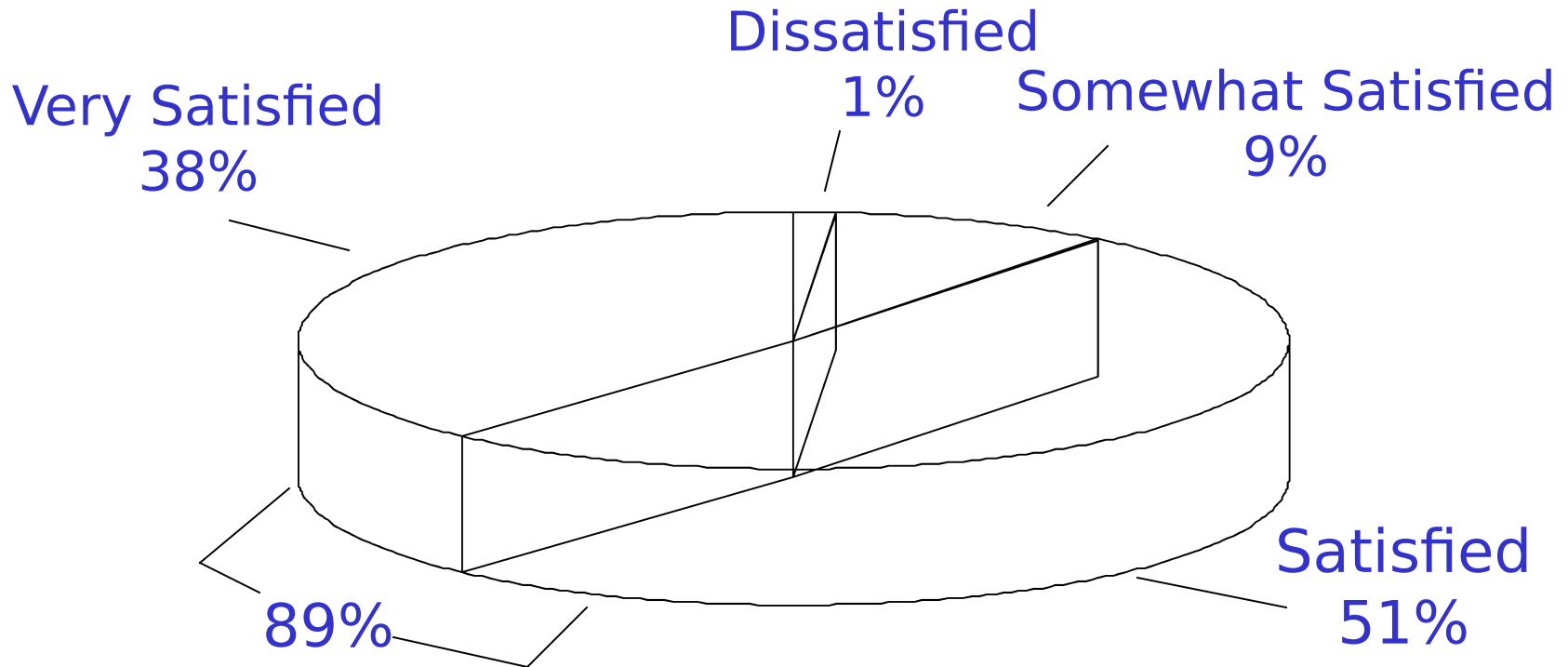


Integrated Data Environment (IDE)

- **Supports data and information sharing through a single point of access supporting:**
 - Exchange of DLA data between systems
 - Sharing of DLA corporate logistics information
 - Enhanced DOD Asset Visibility
- **Assured access to:**
 - Supply chain management data
 - Centrally managed metadata
 - Authoritative data sources
 - DoD logistics business rules
- **Supports logistics (supply chain & distribution) Communities of Interest**
- **Reduced system-to-system interface costs through implementation of net-**



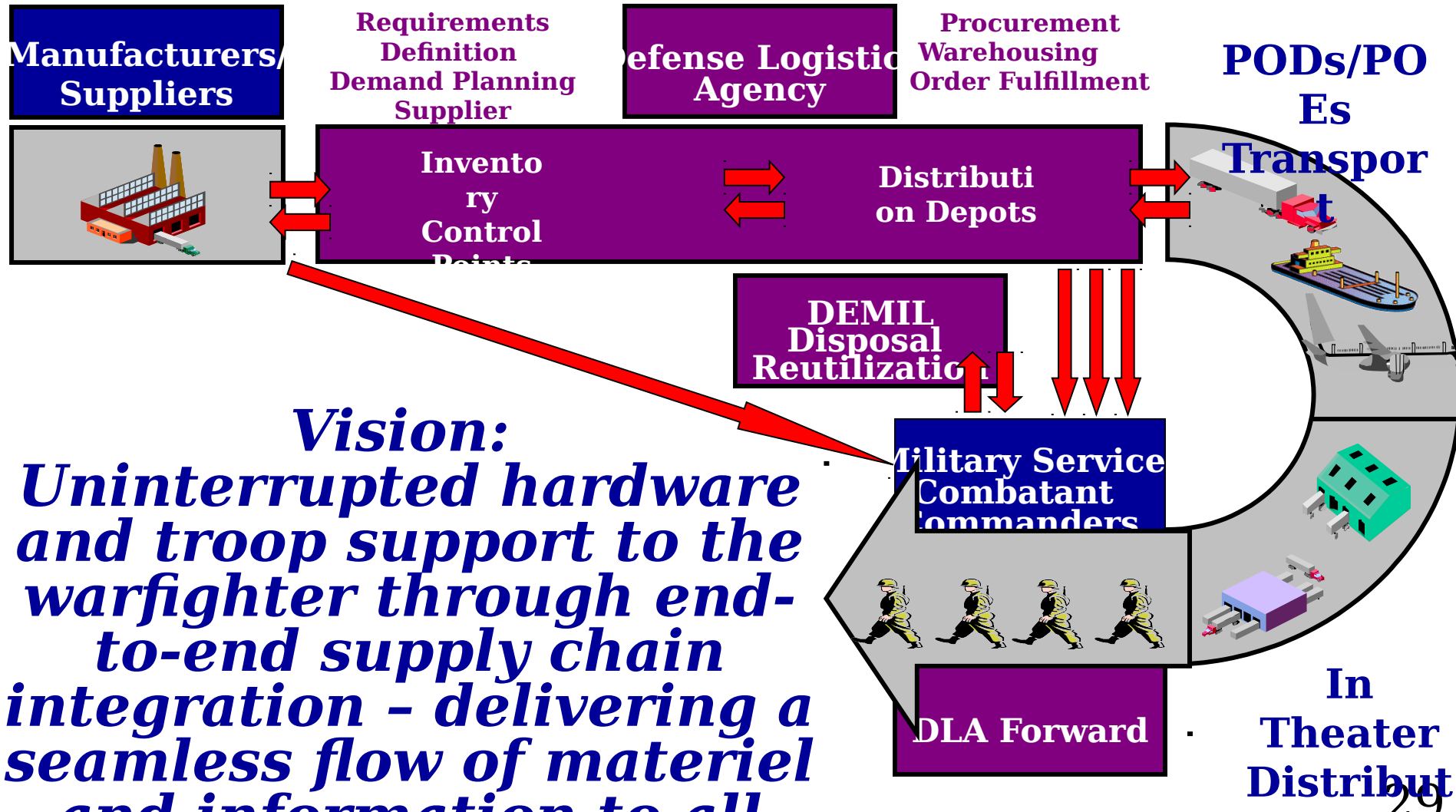
DLA Achieved Enterprise Strategic Customer Satisfaction



Total Customer Satisfaction = “Overall, how satisfied are you with our products and services?”



Platform and Troop Support Supply Chains





Summary

- **Critical Combat Enabler ... Light and Agile**
- **Focused on Improved warfighter support and reduced costs**
- **DOD Leader In Enterprise System Transformation**

Tomorrow's vision ... Extending the Enterprise to the lowest level while linking supply with demand